

**COMMONWEALTH OF MASSACHUSETTS  
BEFORE THE  
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY**

\_\_\_\_\_) )  
Western Massachusetts Electric Company ) D.T.E. 01-99  
\_\_\_\_\_) )

**WESTERN MASSACHUSETTS ELECTRIC COMPANY'S APPLICATION  
FOR APPROVAL OF THE  
2001 AMENDATORY AGREEMENT ARRANGEMENT  
WITH VERMONT YANKEE NUCLEAR POWER CORPORATION**

Western Massachusetts Electric Company ("WMECO") hereby petitions the Department of Telecommunications and Energy ("Department"), pursuant to G.L. c. 164, §§ 1A, 1G, 76, 94 and 94A, to find that:

(1) WMECO's 2001 Amendatory Agreement between WMECO and Vermont Yankee Nuclear Power Corporation ("Vermont Yankee") is consistent with applicable law, including relevant portions of the Restructuring Act and WMECO's approved restructuring plan, is in the public interest, and will result in just and reasonable rates for WMECO's retail customers.

(2) WMECO's decision to enter into the 2001 Amendatory Agreement is consistent with its obligation to mitigate, to the maximum extent possible, the total amount of transition costs relating to Vermont Yankee pursuant to the Restructuring Act.

As described below, WMECO's proposal complies with Chapter 164 of the Acts of 1997 (the "Restructuring Act"), the Department's Order in D.T.E. 97-120, and other applicable precedent. As support of this Application, WMECO states the following:

1. WMECO is a Massachusetts corporation authorized to generate, transmit, sell and distribute electricity, and is subject to the regulatory jurisdiction of the Department.
2. WMECO provides retail service to approximately 200,000 customers in 59 cities and towns in western Massachusetts.
3. Vermont Yankee is a Vermont corporation that owns and operates a nuclear electric generating station having a nominal capacity of approximately 540 MW in Vernon, Vermont (the “Station”).
4. The common stock of Vermont Yankee is owned by its “Sponsor” utilities, including WMECO, in addition to certain Vermont utilities that are not Sponsors.
5. WMECO’s share of the common stock of Vermont Yankee is 2.5 percent (the “Entitlement Percentage”). WMECO has a separate, FERC-approved long-term power contract (the “Power Contract”) that requires it to accept its Entitlement Percentage of the energy and capacity generated by the Station and obligates WMECO to reimburse Vermont Yankee for WMECO’s Entitlement Percentage of the operating and maintenance (“O&M”) and capital costs of the facility, including decommissioning costs. WMECO is so obligated through March 21, 2012.
6. In WMECO’s restructuring plan proceedings, D.T.E. 97-120, the Department allowed the above-market costs of the Power Contract and the associated operating, decommissioning and other responsibilities as variable transition costs to be collected through WMECO’s Transition Charge. D.T.E. 97-120 (September 17, 1999), D.T.E. 97-120-B (December 20, 1999). The then-

estimated amount of the transition costs associated with WMECO's obligation to Vermont Yankee is shown in WMECO's compliance filing in D.T.E. 97-120 (Exh. WMECO-1, exh. 13EC, Sch. 1, pp. 9, 10). As an element of variable transition costs, this value was subject to subsequent true-up. Such true-ups would account for, among other things, deviations in the market price of electricity from the predicted market prices, changes in the amounts due by WMECO under the Power Contract or the sale of Vermont Yankee.

7. A key component of WMECO's restructuring plan is to divest its generation assets and power purchase agreements, the proceeds from which mitigate the amount of transition costs. D.T.E. 97-120 (September 17, 1999), pp. 7, 93. The formula approved by the Department in D.T.E. 97-120 for calculating the Transition Charge includes provisions for including WMECO's divestiture, sale or restructuring of its long-term power agreements.

8. Substantially all of Vermont Yankee's assets are now proposed to be sold, including those constituting or used in the operation of the Station, to Entergy Nuclear Vermont Yankee, LLC ("ENVY"), a Delaware limited-liability company as buyer, and Entergy Corporation ("Entergy"), a Delaware corporation, as guarantor, under a Purchase and Sale Agreement ("PSA") dated August 15, 2001.

9. Vermont Yankee was sold through a public auction conducted by J.P. Morgan Securities, Inc. The purchase price for the sold Vermont Yankee assets is \$180,000,000, significantly more than had been offered for Vermont Yankee prior to the public auction. In addition, it is not anticipated that Vermont Yankee will be required to make any top-off of the decommissioning fund or any payment

under the Texas Low Level Waste Compact for low level radioactive waste. Any top-off decommissioning payment is contingent on several factors and Vermont Yankee's responsibility is capped at \$5.4 million.

10. Under the terms of the PSA, Vermont Yankee will enter into a Power Purchase Agreement ("PPA") under which Vermont Yankee will purchase 100 percent of the Station's existing capacity and associated energy through the term of the Station's current Nuclear Regulatory Commission operating license (March 21, 2012). Under the PPA, unlike under the current arrangement, ENVY and Entergy, rather than Vermont Yankee's Sponsors and their customers, will bear the risk that the costs of operating the Station may increase or its output may decline.

11. The Power Contract arrangement between WMECO (and other Sponsors) and Vermont Yankee will be altered pursuant to the 2001 Amendatory Agreement to reflect the sale pursuant to the PSA and the buy-back arrangement set forth in the PPA.

12. The 2001 Amendatory Agreement, which is predicated on the sale of Vermont Yankee and the associated PSA and PPA, is in the best interests of WMECO's customers and shareholders. As explained in detail in the Testimony of Richard A. Soderman ("Soderman Testimony") and accompanying exhibits, the new contractual arrangements, in addition to the substantial price received for the assets, remove the risks of nuclear operation of the Station, including the risk of decommissioning cost increases, all of which flow through to WMECO according to WMECO's FERC-approved contract.

13. WMECO is seeking a findings pertaining to the terms of the 2001 Amendatory Agreement as is described in this Application and the Soderman Testimony, and as is permitted and/or required under G.L. c. 164, §§ 1A, 1G, 76, 94 and 94A.

14. WMECO's request is fully consistent with the Restructuring Act, D.T.E. 97-120, and the Department's directives to Massachusetts electric utilities to divest or restructure above-market generation resources in order to mitigate transition costs to the maximum extent possible.

15. The relief requested by WMECO is fully consistent with the Department's recently-approved contract proceedings. *See, Western Massachusetts Electric Company*, D.T.E. 99-101 (October 30, 2000) (termination of MASSPOWER power purchase agreement); *Western Massachusetts Electric Company*, D.T.E. 99-56 (June 28, 1999)(restructuring of power purchase agreement with the owners of the Springfield Resource Recovery Facility). It is also consistent with other Department precedent. *See, Commonwealth Electric Company*, D.T.E. 99-69 (October 22, 1999) (buy-out of power purchase agreement with Lowell Cogeneration Company Limited Partnership); *Boston Edison Company*, D.T.E. 99-16 (April 27, 1999)(termination of power purchase agreement with L'Energia Limited Partnership); *Commonwealth Electric Company*, D.P.U./D.T.E. 92-122-B (January 15, 1999)(buy-out of power purchase commitment with Plymouth Rock Energy Associates).

**WHEREFORE**, Western Massachusetts Electric Company respectfully petitions the Department to approve this Application and to find that:

A. WMECO's 2001 Amendatory Agreement is consistent with applicable law, including relevant portions of the Restructuring Act and WMECO's approved restructuring plan, is in the public interest, and will result in just and reasonable rates for WMECO's retail customers.

B. WMECO's decision to enter into the 2001 Amendatory Agreement is consistent with its obligation to mitigate, to the maximum extent possible, the total amount of transition costs relating to Vermont Yankee pursuant to the Restructuring Act.

C. The costs associated with the 2001 Amendatory Agreement shall be included in and recovered as part of the transition charge in accordance with WMECO's proposal, as set forth here and in the Soderman Testimony.

D. The Department make any other approvals and make any required findings as may be necessary or appropriate.

Respectfully submitted,

**WESTERN MASSACHUSETTS  
ELECTRIC COMPANY**

By Its Attorney,

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